

**CITY OF WICHITA FALLS, TEXAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

# **CITY OF WICHITA FALLS, TEXAS**

## **SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

4110 KELL BLVD., SECOND FLOOR ▪ P.O. Box 750  
WICHITA FALLS, TEXAS 76307-0750  
PH. (940) 766-5550 ▪ FAX (940) 766-5778

MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA, CFE  
A. PAUL FLEMING, CPA  
J. MARK FLEMING, CPA

Independent Auditor's Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major  
Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133 and the State of Texas Single  
Audit Circular, and Schedule of Expenditures of Federal and State Awards

The Honorable Mayor and Members of the City Council  
City of Wichita Falls, Texas

### Compliance

We have audited the **City of Wichita Falls, Texas'** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2011. The **City of Wichita Falls, Texas'** major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the **City of Wichita Falls, Texas'** management. Our responsibility is to express an opinion on the **City of Wichita Falls, Texas'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133, and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the **City of Wichita Falls, Texas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the **City of Wichita Falls, Texas'** compliance with those requirements.

In our opinion, the **City of Wichita Falls, Texas** complied, in all material respects, with the requirements referred to above that are applicable to its major federal and state programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2011-2.

## Internal Control Over Compliance

The management of the **City of Wichita Falls, Texas** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the **City of Wichita Falls, Texas'** internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control compliance. Accordingly, we do not express an opinion on the effectiveness of the **City of Wichita Falls, Texas'** internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we considered to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Finding 2011-1. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The **City of Wichita Falls, Texas'** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

## Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Wichita Falls, Texas** as of and for the year ended September 30, 2011, and have issued our report thereon dated March 20, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the State of Texas Single Audit Circular, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of City management, others within the organization, City Council, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Edgin, Parkman, Fleming & Fleming, PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC

# CITY OF WICHITA FALLS, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures and Indirect Costs	Amount Relating to Pass-Through to Subrecipients
FEDERAL AWARDS:				
<u>U.S. Department of Agriculture</u>				
Passed Through Texas Department of State Health Services:				
Special Supplemental Food Program for Women, Infants and Children	2011-037155-001	10.557	\$ 763,191	\$ -
Total U.S. Department of Agriculture			763,191	-
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
Community Development Block Grant/ Entitlement Grant	B-10-MC-48-0030	14.218	1,768,678	164,113
Community Development Block Grant/ Entitlement Grant - ARRA	B-09-MY-48-0030	14.253	143,585	
Section 8 Rental Voucher/Certificate Program	TX498VO	14.871	3,758,173	-
HOME Investment Partnership Program	M-10-MC-48-0214	14.239	379,758	-
Homelessness Prevention and Rapid Re-Housing - ARRA	S-09-MY-48-0014	14.257	204,024	-
Total Direct Programs			6,254,218	164,113
Passed Through Tarrant County:				
Housing Opportunity for Persons with AIDS	2009-030522	14.241	13,953	-
Housing Opportunity for Persons with AIDS	2010-034531	14.241	20,624	-
Total Tarrant County			34,577	-
Total U.S. Department of Housing and Urban Development			6,288,795	164,113
<u>U.S. Department of Justice</u>				
Direct Programs:				
Bureau of Justice Assistance:				
Local Law Enforcement Block Grant	2008-DJ-BX-0477	16.592	2,778	-
Local Law Enforcement Block Grant	2009-DJ-BX-0326	16.592	19,050	-
Local Law Enforcement Block Grant	2010-DJ-BX-0575	16.592	49,957	-
Bulletproof Vest Partnership Program	N/A	16.607	2,442	-
COPS Public Safety Partnership and Community Policing Grants - ARRA	2009RKWX0838	16.710	190,710	-
Edward Byrne Memorial Grants Program - ARRA	2009-SB-B9-2240	16.804	67,885	-
Total Bureau of Justice Assistance			332,822	-
Total U.S. Department of Justice			332,822	-

# CITY OF WICHITA FALLS, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONT'D.) FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures and Indirect Costs	Amount Relating to Pass-Through to Subrecipients
FEDERAL AWARDS (CONT'D.):				
<u>U.S. Department of Transportation</u>				
Direct Programs:				
Federal Aviation Administration:				
Airport Improvement Grant	3-48-0346-06	20.106	49,101	-
Airport Improvement Grant	3-48-0227-008-2009	20.106	166,592	-
Airport Improvement Grant	3-48-0227-008-2010	20.106	146,687	-
Total Direct Programs			<u>362,380</u>	<u>-</u>
Passed Through Texas Department of Transportation:				
Airport Improvement Grant	M103KICKA	20.106	1,024,988	-
Total Federal Aviation Administration			<u>1,387,368</u>	<u>-</u>
Direct Programs:				
Federal Transit Administration:				
Federal Transit Capital Investment Grants - ARRA	TX-96-0016-00	20.500	99,666	-
Federal Transit Capital and Operating Assistance Formula Grants	N/A	20.507	1,022,075	-
Total Federal Transit Administration			<u>1,121,741</u>	<u>-</u>
Passed Through Texas Department of Transportation:				
Urban Transportation Study				
FHWA PL0011(29)/FTA Section 5303	50-101F0010	20.205	211,464	-
Click it/Ticket Program	WichitaPD-CIOT-RFR-00001	20.604	5,575	-
Total Texas Department of Transportation			<u>217,039</u>	<u>-</u>
Total U.S. Department of Transportation			<u>2,726,148</u>	<u>-</u>
<u>U.S. Department of Energy</u>				
Passed Through Texas State Energy Conservation Office:				
Energy Efficiency & Conservation Block Grant	SC0002435	81.128	914,332	-
Total U.S. Department of Energy			<u>914,332</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
Passed Through Texas Department of State Health Services:				
HIV Prevention Activities-CTRPN	2010-0344404-001	93.940	31,410	-
HIV Prevention Activities-CTRPN	2011-037630-001	93.940	89,641	-
Preventive Health and Health Services Grant - Community and Rural Health	2011-035417-001	93.991	161,792	-
Preventive Health and Health Services Grant - Community and Rural Health	2012-039496-001	93.991	18,107	-
Total Texas Department of State Health Services			<u>300,950</u>	<u>-</u>

# CITY OF WICHITA FALLS, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONT'D.) FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures and Indirect Costs	Amount Relating to Pass-Through to Subrecipients
FEDERAL AWARDS (CONT'D.):				
Passed Through Tarrant County:				
HIV Formula Grant-Care Consortium - Ryan White II	2010-034678-001	93.917	94,025	-
HIV Formula Grant-Care Consortium - Ryan White II	2011-037873-001	93.917	78,444	-
HIV Formula Grant-Care Consortium - Ryan White III	H76HA00123-19-00	93.918	23,850	-
HIV Formula Grant-Care Consortium - Ryan White III	H76HA00123-20-00	93.918	54,499	-
Total Tarrant County			<u>250,818</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>551,768</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Passed Through Texas Department of Public Safety - Division of Emergency Management:				
Hazard Mitigation Grant	HMGP-DR-1709-023	97.039	8,180	-
Emergency Management Planning Grant	11TX-EMPG-1017	97.042	46,477	-
Homeland Security	2008 SHSP	97.073	5,795	-
Homeland Security	2010 SHSP	97.073	96,000	-
Total U.S. Department of Homeland Security			<u>156,452</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>11,733,508</u>	<u>164,113</u>
STATE AWARDS:				
<u>Texas Department of State Health Services</u>				
Direct Programs:				
Tuberculosis - Prevention and Control	2011-035724	N/A	103,855	-
Tuberculosis - Prevention and Control	2012-040239-001	N/A	14,013	-
Immunizations - Epidemiology	2011-035473-001A	N/A	230,584	-
Immunizations - Epidemiology	2012-039069-001	N/A	40,323	-
Bioterrorism	2010-035404	N/A	111,908	-
Bioterrorism	2011-038711	N/A	21,932	-
Public Health Emergency Response	2011-037441-001	N/A	286,061	-
Total Direct Programs			<u>808,676</u>	<u>-</u>
Passed Through Tarrant County:				
HIV - Health and Social Services	2011-035180-001	N/A	67,189	-
HIV - Health and Social Services	2012-039165-001	N/A	20,624	-
Total Tarrant County			<u>87,813</u>	<u>-</u>
Total Texas Department of State Health Services			<u>896,489</u>	<u>-</u>

# CITY OF WICHITA FALLS, TEXAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (CONT'D.) FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Contract Number	Federal CFDA Number	Expenditures and Indirect Costs	Amount Relating to Pass-Through to Subrecipients
STATE AWARDS (CONT'D.):				
<u>Texas Department of Transportation</u>				
Direct Programs:				
Transit Planning, Capital and Operating Formula Grant	51803F069	N/A	301,506	-
Routine Airport Maintenance Program	M803KICKA	N/A	36,290	-
Total Texas Department of Transportation			<u>337,796</u>	<u>-</u>
<u>Texas Comptroller of Public Accounts</u>				
Direct Program:				
Texas Tobacco Compliance	N/A	N/A	<u>1,995</u>	<u>-</u>
<u>Texas Library &amp; Archives Commission</u>				
Direct Program:				
Loan Star Libraries Program	N/A	N/A	<u>16,945</u>	<u>-</u>
Total Expenditures of State Awards			<u>1,253,225</u>	<u>-</u>
Total Expenditures of Federal and State Awards			<u>\$ 12,986,733</u>	<u>\$ 164,113</u>



# CITY OF WICHITA FALLS, TEXAS

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2011

### Note 1 - GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state awards of the **City of Wichita Falls, Texas** (City). The City reporting entity is defined in Note 1 to the City's financial statements. All financial assistance received directly from federal or state agencies, as well as federal or state financial assistance passed through other government agencies, is included on these schedules.

### Note 2 - BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. Most federal and state grant funds were accounted for in the Special Revenue Funds, a component of the Governmental Fund types. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable.

Federal and state grant funds are ordinarily considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

### Note 3 - CONTINGENCIES

The City participates in numerous federal and state programs, on both a direct and state pass-through basis, as well as on a service-provider basis. Principal among these are Community Development Block Grants, Section 8 Housing Assistance, the Home Investment Partnership Agreement Program, and the Airport Improvement Grant.

In connection with these programs, the City is required to comply with specific terms and agreements as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives.

Since such programs are subject to audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.



## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

4110 KELL BLVD., SECOND FLOOR ▪ P.O. Box 750  
WICHITA FALLS, TEXAS 76307-0750  
PH. (940) 766-5550 ▪ FAX (940) 766-5778

MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA, CFE  
A. PAUL FLEMING, CPA  
J. MARK FLEMING, CPA

### Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Mayor and Members of the City Council  
City of Wichita Falls, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Wichita Falls, Texas** as of and for the year ended September 30, 2011, which collectively comprise the **City of Wichita Falls, Texas'** basic financial statements, and have issued our report thereon dated March 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be provided, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 2011-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **City of Wichita Falls, Texas'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2011-1.

The **City of Wichita Falls, Texas'** response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of City management, others within the organization, City Council, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

  
EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas  
March 20, 2012

# CITY OF WICHITA FALLS, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2011

### A. Summary of Auditor's Results

An unqualified opinion was issued on the financial statements.

The audit disclosed one significant deficiency relating to the audit of the financial statements in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.

The audit disclosed no noncompliance that is material to the financial statements.

The audit disclosed one significant deficiency relating to the audit of the major federal and state award programs in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.

An unqualified opinion was issued on compliance for major programs.

The audit disclosed one audit finding that is required to be reported in this schedule under OMB Circular A-133.

Major programs are as follows:

#### Federal:

10.557	Special Supplemental Food Program for Women, Infants and Children
14.239	HOME Investment Partnership Program
14.257	Homelessness Prevention and Rapid Re-Housing – ARRA
14.871	Section 8 Rental Voucher/Certificate Program
16.710	COPS Public Safety Partnership and Community Policing Grants –ARRA
81.128	Energy Efficiency & Conservation Block Grant

#### State:

Transit Planning, Capital and Operating Formula Grant  
Immunizations - Epidemiology

The threshold used to distinguish between Type A and Type B programs was \$352,005 for federal programs and \$300,000 for state programs.

The City was not classified as a low-risk auditee in the context of OMB Circular A-133 or the State of Texas Single Audit Circular.

### B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

Finding 2011-1 – Significant Deficiency in Internal Control over Financial Reporting

#### Criteria

The City's internal control over financial reporting should ensure accurate reporting in the City's financial statements as well as reporting any amounts to grantors.

# **CITY OF WICHITA FALLS, TEXAS**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D) FOR THE YEAR ENDED SEPTEMBER 30, 2011**

### Condition

During the year ended September 30, 2011, a deficiency in internal control resulted in the City reporting inaccurate grant expenditures to grantors on one of its grants.

### Cause

The reporting error was caused by the City's Police Department not updating the June 30, 2011 expenditures with the September 30, 2011 amounts.

### Effect

The City's Police Department filed incorrect reports on the COPS Public Safety and Community Policing Grant.

### Recommendation

We recommend that the City enhance its grant policies to ensure that all departments are aware of the requirements and are able to prepare accurate reports to grantors.

## **C. Findings and Questioned Costs for Federal and State Awards**

Finding 2011-1 – Significant Deficiency in Internal Control – See Above

Finding 2011-2 – Noncompliance Required to be Reported Under OMB Circular A-133

### Criteria

The City is required to complete various reporting requirements for federal and state grants received.

### Condition

Our test of the City's reporting revealed an instance of reporting errors. In the COPS Public Safety and Community Policing Grant (CFDA 16.710), expenditures were under-reported by \$73,254 as of September 30, 2011.

### Cause

The reporting error was caused by the City's Police Department not updating the June 30, 2011 expenditures with the September 30, 2011 amounts.

### Effect

The City's Police Department filed an incorrect report on the COPS Public Safety and Community Policing Grant.

### Recommendation

We recommend that the City enhance its grant policies to ensure that all departments are aware of the requirements and are able to prepare accurate reports to grantors.

# **CITY OF WICHITA FALLS, TEXAS**

## **CORRECTIVE ACTION PLAN FOR THE YEAR ENDED SEPTEMBER 30, 2011**

### Finding 2011-1 and Finding 2011-2

The City will continue to remind departments to review all expenditure reports to ensure that the City's guidelines are being met, with emphasis on police grants.

The contact person for this corrective action plan is Jim Dockery, Assistant City Manager / Chief Financial Officer.

# CITY OF WICHITA FALLS, TEXAS

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2011

### Finding 2010-1

In the prior year there was a finding for the City failing to correctly report grant expenditures related to both the COPS and Edward Byrne grants. The City emphasized proper grant reporting to all departments during the year. This communication was successful with most grants. However, there was an error with the COPS grant expenditure reporting at September 30, 2011.

### Status

Ongoing

### Finding 2010-2

See above

### Status

Ongoing